**CIWC EXHIBIT 2.0 (Rev.)**

# CONSUMERS ILLINOIS WATER COMPANY

# REVISED DIRECT TESTIMONY

# OF

# THOMAS J. BUNOSKY

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## WITNESS IDENTIFICATION AND BACKGROUND

**Q. Please state your name and business address.**

A. Thomas J. Bunosky, 1000 South Schuyler Avenue, Kankakee, Illinois, 60901.

**Q. What whom are you employed and in what capacity?**

A. I am Vice President and General Manager of Consumers Illinois Water Company ("CIWC").

**Q. Please state your educational, professional and business background and experience.**

A. I am a graduate of Youngstown State University, Youngstown, Ohio receiving a Bachelor of Science degree in Civil Engineering. I also am a graduate of Baldwin Wallace College, Cleveland, Ohio receiving a Masters of Business Administration. My professional affiliations include the Illinois Section of the American Water Works Association, in which I currently sit on the Water Utility Council. I am also a member of the National Water Works Association's QualServe Program that conducts reviews of peer utilities. My 23 years of water utility experience includes employment from 1978 to 1990 with Ohio Water Service Company (Consumers Ohio Water Company). During

those years of employment I held various positions as Staff Engineer, Staff Accountant, Water Treatment Plant Superintendent, and Assistant District Manager of the operations of the Struthers, Ohio facilities. From 1990 to 1997, I was employed by Southern California Water Company in San Dimas, California. Initially I held the position of Director of Engineering, Water Resources, and Construction, which I was responsible for the Company's Capital Improvements for all of the Company's Capital Improvements for all of the Company's 27 operating districts throughout the State of California. In 1993, I assumed the position of Vice President of Operations of the Company's water and electric facilities consisting of 240,000 water customers and 20,000 electric customers throughout the State of California. These duties included the preparing and implementation of the yearly and long term capital and operating budgets, the rate proceedings preparation and testimony before the California Public Utilities Commission, personnel supervision and the planning and development of short and long term water resources for each of the Company's 27 operating districts. In 1995, under a reorganization of the Company's operations following a California Public Utility Commission Management Audit, I assumed the position of Vice President of the Company's Region 2 Operations consisting of the water operations in the Los Angeles and Orange County areas of Southern California composed of 140,000 customers. In 1997, I assumed my current position of Vice President and General Manager of Consumers Illinois Water Company.

**Q. What are your responsibilities as Vice President and General Manager of CIWC?**

A. I have overall responsibility of the day-to-day operations of the Kankakee, University Park water and wastewater, and the Willowbrook water and wastewater Divisions. I also

assist the Company President and other officers in developing goals and objectives for the Company and in administering policies and procedures as approved by the Board of Directors of the Company. It is my responsibility to ensure that these goals and objectives are achieved. I, along with other Company officers, represent the Company before governmental and regulatory agencies. I, along with others, formulate financial objectives and budgets and provide the direction necessary to meet those objectives while remaining within budgetary guidelines. I am part of the management team which establishes employee levels, working conditions, and safety requirements within guidelines established by the Board of Directors and the President of the Company. My responsibilities include establishing guidelines for negotiation of labor contracts with the labor union representing employees in the Kankakee Division, as well as other special contracts. I have the responsibilities associated with providing excellent customer service and developing and controlling the Company's operating and maintenance and capital budgets, as well as providing direction in the areas of construction, purchases or other acquisitions, operation, maintenance and protection of all property, facilities and equipment required to maintain water quality standards and continuity of service.

**Q. Have you previously testified in regulatory matters?**

A. Yes. I have testified in proceedings before this Commission, the Public Utilities Commission of Ohio and the California Public Utility Commission.

**Q. Are you familiar with the property, business and operations of the Kankakee Division?**

A. Yes, I am.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to sponsor CIWC Exhibit 2.1 (Rev.), which contains data regarding the QIP Surcharge for the Kankakee Division. The data is required by Part 656.90 (b)(1). In addition, I will discuss the specific needs of Kankakee Division with regard to infrastructure replacement. I sponsor CIWC Exhibit 2.2 which is a detailed Report addressing an infrastructure program for the Kankakee Division.

**Q. Would you address the specific infrastructure needs of the Kankakee Division ("Division") in coming years?**

A. Yes. The Division's needs are detailed in the Report marked for identification as CIWC Exhibit 2.2. As the Report indicates, the historical level of replacement of aging main must be substantially increased. The Report sets forth a thorough analysis which prioritizes the need for main replacement. As the Report indicates, the Division also requires investment in hydrants and services (the Company portion) in the areas where mains will be placed. Additional investment is needed to replace lead services and certain hydrants which have inadequate pumper nozzles.

**Q. Please comment on the data shown in CIWC Exhibit 2.1 (Rev.).**

A. CIWC Exhibit 2.1 (Rev.) shows the failure rate and replacement rate for the historical years 1996-2000, and for projected years 2001 and 2002 for the plant accounts applicable to T&D Mains, services, meters and hydrants. For the historical years, this data is required by Part 656.90(b)(1).

✍**T&D Mains**: The failure rate has been an average of 76.8 failures per year with an average replacement rate of 0.08 percent over the five-year period. Based on the current

replacement rate (0.08%) all water mains would be replaced over 1250 years. This replacement cycle is well in excess of the 90-year average service life used in the most recent rate order, ICC Docket No. 00-0337, 00-0338 and 00-0339 consolidated. The replacement rate will continue to increase due to the advanced age of the water mains, and the need to provide reliable water service.

✍**Services**: The failure rate has been an average of 71 service failures per year with an average replacement rate of 0.40 percent. Based on the current replacement rate (0.40%) all services would be replaced over 250 years. This replacement cycle is well in excess of the 60-year average service life assigned to services in the most recent rate order, ICC Docket No. 00-0337, 00-0338 and 00-0339 consolidated. Furthermore, the failure and rate replacement rates do not reflect the further need to replace lead service lines whether they have failed or not. The replacement rate will increase driven by the age of the existing services and the large quantity of lead services that must be replaced.

✍**Meters**: Complete stoppage of a meter is a rare circumstance. Generally, meters do not "fail" in this manner. They simply decline in accuracy below industry standards. Therefore, there is virtually no meter failure data available. However, the current average replacement rate is 4.69 percent. Based on the current replacement rate (4.69%) all meters would be changed out over 21 years. This replacement cycle is well in excess of the 10-year testing (replacement) cycle established by the Commission. The replacement rate will increase to reach the 10-year testing schedule required by the Commission.

✍**Hydrants**: The failure rate has been an average of 32 hydrants per year with an average replacement rate of 0.57 percent. Based on the current replacement rate (0.57%) all

hydrants would be replaced over 175 years. This replacement cycle is well in excess of the 43-year average service life assigned to hydrants in the most recent rate case. Furthermore, the failure rate and replacement rate do not reflect the further need to replace two-way hydrants with three-way (two hose nozzles and a pumper nozzle) hydrants, the need to install auxiliary valves on hydrant branches so that a hydrant can be isolated from the water main without shutting down the main, and the need to replace hydrants on 4-inch water mains. All of these additional factors only exacerbate the replacement cycle problem. The replacement rate will increase due to the replacement of water mains and the current age of the hydrants.

**Q. Is it your expectation that the replacement rates for the plant accounts listed in CIWC Exhibit 2.1 (Rev.) will increase?**

A. Yes. For T&D mains, services and hydrants, I expect that it will. As shown, in CIWC Exhibit 2.1 (Rev.), the replacement cycle for each of these accounts exceeded the average service life used for the respective plant accounts in the most recent rate order ICC Docket No. 00-0337, 00-0338 and 00-0339 consolidated. The replacement rate for these accounts must be increased so that the replacement cycle will more closely reflect the useful life of these plant accounts.

**Q. Have you prepared the data required by Part 656.90?**

A. Yes. This information appears in CIWC Exhibits 2.1 (Rev.), 2.2 and 2.3.

**Q. Mr. Rakocy sponsors CIWC Exhibit 1.5 (Rev.) which includes an estimate of the January 1, 2002 Surcharge Percentage for Kankakee County and preliminary estimates of the information which would accompany the filing of the December, 2001 Information Sheet. Would you comment on this information?**

A. Yes. The information contained in CIWC Exhibit 1.5 (Rev.) indicates a surcharge percentage in 2002 for the Kankakee Division of 2.49%. The surcharge will provide a return on and return of the investment of approximately $1.9 million in needed new investment to replace infrastructure as discussed above. The year 2003 is expected to have a like amount of investment. In 2004, the level investment in QIP related projects declines to $1.1 million due to the lead service replacements being completed. In 2005 the investment is projected to be at $2.4 million mainly addressing the needs of galvanized service line replacements and water main line replacement programs. In 2006, the investment is projected to decline to $1.8 million due to the galvanized service line replacement program being completed in 2005 and the level of main replacement activity remaining similar to the previous year.

**Q. Does this conclude your testimony?**

A. Yes, it does.